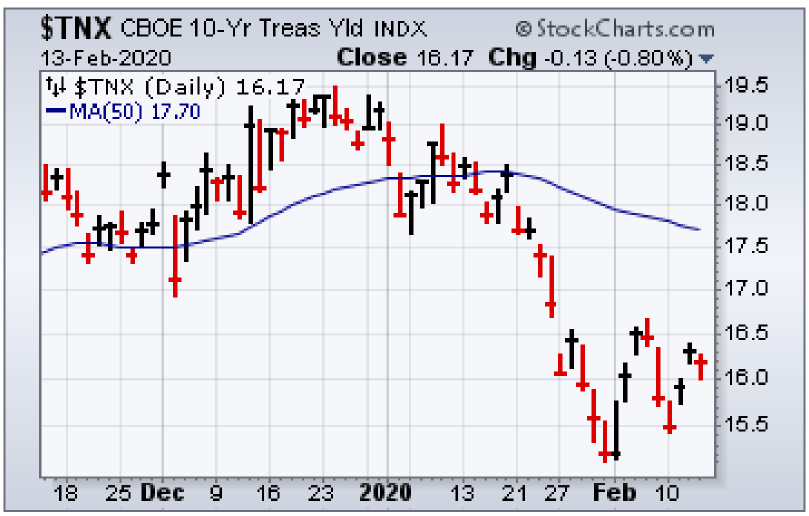
ACM Tactical Income Fund

Monthly Commentary

January 2020

January was a solid month in the fixed income markets, aided by the strong tailwind from falling yields. As seen in the chart below, yields on the 10-year T-note fell on the first day of the month and continued falling right up to the last day of the month. This led to outsized gains in long-dated Treasuries, but also gains across the 'risk-off' spectrum of assets. In addition to Treasuries, the largest gainers in the Fund during January were taxable munis, investment-grade corporates, and hi-yield munis.

The move lower in yields came as inflation pressures cooled, and the Fed continued to add liquidity to the markets. The Fed intervened in the repo market once again, presumably to keep it functioning properly and avoid any rate spikes such as those that only recently occurred. The Fed still claims that this is not "QE", but most participants think that is just semantics. The fact of the matter is that the Fed purchased $82 billion in securities, further expanding its balance sheet. There has been chatter that the Fed could continue with these purchases into the early summer.



Past performance does not guarantee future results.
The blue line above represents the 50-day moving average of the 10-Year US Treasury Index.

At its recent meeting, the Fed kept its benchmark rate steady, with all 10 members voting to stay put. The Fed said that consumer spending had moderated some, while business investment had stayed weak. They also commented that a future rate hike would require a persistent and sustained rise in inflation, something they have been unable to generate with recent rate cuts. They also signaled they see greater risks that could force them to cut rates further, something that the current fed funds futures market is pricing in for later this year. The recent outbreak of the coronavirus seems like one such downside risk. While lowering interest rates doesn't address a virus pandemic directly, the Fed seems to view rate cuts as a blanket panacea and utilize them whenever the economic outlook diminishes.

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The **ACM Tactical Income Fund** (TINIX) performed well in January, despite trailing the benchmark Agg slightly for the month. But it is difficult to outperform the Agg in a month when bond yields fall sharply, as they did in January. We expect continued volatility in the fixed income market in the form of vacillations between 'risk on' and 'risk off' environments. Given our tactical strategy of rotating exposures between the two groups, we are confident that the Fund can generate performance in either type of environment.

We want to thank all of you for your continued support.

Sincerely,

Jordan L. Kahn, CFA
Chief Investment Officer

Sources: *Standard & Poor's, Stockcharts.com, Bespoke Investment Group*